

FINANCIAL STATEMENTS

SOUTHERN IOWA COUNCIL OF
GOVERNMENTS AND AFFILIATE
CRESTON, IOWA

September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Iowa Council of Governments and
Southern Iowa Development Group, Inc.
Creston, Iowa 50801

I have audited the accompanying combined statement of financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2007, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2007, and the results of their operations, changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 18, 2007 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. taken as a whole. The supplemental information identified in the table of contents pages 11 - 22, including the schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Ted Willett CPA

Creston, Iowa
December 18, 2007

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 1,136,579
Investment	425
Accounts receivable	137,460
Grants receivable	58,107
Prepaid expense	1,123
Current portion of long term loans receivable	<u>156,943</u>
Total current assets	<u>1,490,637</u>

LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$11,004)	1,091,743
Less current portion	<u>156,943</u>
Total long term receivable	<u>934,800</u>

PROPERTY AND EQUIPMENT - at cost

Building and equipment	183,060
Less accumulated depreciation	<u>(120,597)</u>
Total property and equipment	<u>62,463</u>

Total assets	<u>\$ 2,487,900</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 3,845
Notes payable	72,771
Housing trust	97,379
Accounts payable	4,679
Accrued expenses	<u>25,180</u>
Total current liabilities	<u>203,854</u>

LONG TERM LIABILITIES

Long-term debt net of current portion	8,971
Payable to EDSA	<u>31,228</u>
Total long term liabilities	<u>40,199</u>
Total liabilities	<u>244,053</u>

NET ASSETS

Unrestricted		
Undesignated general fund	751,350	
Designated for RFL Administration	<u>(31,533)</u>	719,817
Temporarily restricted		
Grant fund balances		<u>1,524,030</u>
Total fund balance		<u>2,243,847</u>
Total liabilities and fund balances		<u>\$ 2,487,900</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
September 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Federal funds	\$ ---	\$ 696,727	\$ 696,727
State grants	---	9,375	9,375
Other grants	---	95,500	95,500
Local funds	133,009	---	133,009
Local in-kind	---	2,666	2,666
Interest income	69,526	---	69,526
Service income	321,704	---	321,704
Miscellaneous	59,944	---	59,944
Net assets released from restrictions	767,553	(767,553)	---
Total revenue and support	<u>1,351,736</u>	<u>36,715</u>	<u>1,388,451</u>
EXPENSES:			
Salary	254,463	---	254,463
Employee fringe	39,043	---	39,043
Health insurance	17,896	---	17,896
Accounting/consulting/legal	11,506	---	11,506
Depreciation	5,559	---	5,559
Consumable supplies	7,948	---	7,948
Dues and subscriptions	6,212	---	6,212
Repairs and maintenance	3,354	---	3,354
Insurance	9,909	---	9,909
Miscellaneous	11,256	---	11,256
Postage	2,600	---	2,600
Printing and publicity	9,629	---	9,629
Utilities	9,021	---	9,021
Telephone	3,424	---	3,424
Interest	13,046	---	13,046
Housing rehab	557,102	---	557,102
Emergency repairs	132,887	---	132,887
Travel & Meetings	12,464	---	12,464
In-kind	2,666	---	2,666
Total expenses	<u>1,109,985</u>	<u>---</u>	<u>1,109,985</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	241,751	36,715	278,466
LOSS ON STOCK	---	(3,062)	(3,062)
NET ASSETS - Beginning of year	<u>478,066</u>	<u>1,490,377</u>	<u>1,968,443</u>
NET ASSETS - End of year	<u>\$ 719,817</u>	<u>\$1,524,030</u>	<u>\$ 2,243,847</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
September 30, 2007

Operating activities:

Excess of revenue and support over expenses and stock loss	\$ 275,404
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5,559
(Increase) in accounts receivable	(8,874)
(Increase) in grants receivable	(58,107)
(Increase) in prepaid expense	(336)
(Decrease) in allowance for doubtful notes	(606)
(Decrease) in notes payable	(105,220)
Increase in housing trust	97,379
(Decrease) in accounts payable	(3,628)
Increase in accrued expenses	<u>1,314</u>

Net cash provided from operating activities 202,885

Investing activities:

RFL loans made	(300,922)
Loss on stock	3,062
RFL loans payments received	<u>204,062</u>

Net cash (used) for investing activities (93,798)

Financing activities:

Capital purchases	(7,955)
Payments on long-term debt	<u>(3,627)</u>

Net cash provided from financing activities (11,582)

Net increase in cash and cash equivalents 97,505

Cash and cash equivalents as of the beginning of year 1,039,074

Cash and cash equivalents as of end of year \$ 1,136,579

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 13,046

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

Note 1. Significant Accounting Policies

Entities:

The Southern Iowa Council of Governments is a public organization established by the former Iowa Code Chapter 473A and governed by 28H and 28I, and encompasses a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local governments through local and state government laws, agreements, and other actions. As stated in the Iowa Code Chapter 28I, "The commission shall have the power and duty to make comprehensive studies and plans for the development of the area and which will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people." The Southern Iowa Council of Governments serves the local governments and citizens in the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union. The Agency is an organization exempt from income tax under Internal Revenue Code Section 170(c)(2).

The Southern Iowa Development Group, Inc. was organized June 22, 1987, and incorporated under the Iowa Nonprofit Corporation Act, Chapter 504 A of the Code of Iowa for the following purposes: 1) To further the economic development of the region comprised of the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union, as well as the cities located therein. 2) To promote and assist the growth and development of business concerns, including small and medium sized business concerns in said area. 3) To stimulate business opportunities and development in said area as measured by increased employment, payrolls, business volume, and corresponding community benefits. The Southern Iowa Development Group, Inc. is an organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 590(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Combined Statements:

The accompanying financial statements present the combination of the financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two corporations. All significant inter-company transactions and accounts have been eliminated.

The combined financial statements are presented because (1) the Board of Directors and management of the two corporations are the same, and (2) the Southern Iowa Development Group, Inc. is financially dependent on the Southern Iowa Council of Governments for its Revolving Loan funds.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

The financial statements of Southern Iowa Council of Governments and the affiliate have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers. All significant accounting policies are in accordance with generally accepted accounting principles.

At the end of the grant period, unearned grant funds that have been received are recorded as a liability to the grantor unless they can be carried over to the next fiscal year in which case they are carried as deferred revenue to be used for grant expenses in the future.

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned administrative contract revenues is deferred to be used for administrative contract expenses in the future. Fees which have been earned but not received are recorded as a receivable.

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel. Total in-kind revenue and expenses were \$ 2,666 for the year ended September 30, 2007.

Financial Statements Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the Organizations within the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for purposes specified by the grantor. Temporarily restricted net assets are reported as increases in unrestricted net assets if the restrictions have expired or the purposes for which they were received have occurred in the reporting period.

Permanently restricted assets are assets which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2007 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2007 was \$ 9,112.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2007, amounted to \$ 623,467. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2007, the EDA RLF loan receivable balance was \$ 756,357.

Note 5. Allocation of Expenses

Some of the costs of providing the various programs and other activities have been allocated in the statement of activity. These allocable costs include accounting, equipment maintenance, insurance, and utilities.

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2007, SICOG has \$ 45,618 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 33,969 or 74.46% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2007, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Long-Term Debt

Long-term debt at September 30, 2007 consisted of the following:

Mortgage payable to the bank, 6.25% due \$ 378
monthly including interest through December 2010
secured by a mortgage. \$ 12,816

Less current portion 3,845
\$ 8,971

Maturities of long-term debt are as follows:

Year ended	Amount
September 30	
2008	3,845
2009	4,092
2010	4,356
2011	523

Note 9. Deposits

Southern Iowa Council of Governments deposits at September 30, 2007 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 10. Intercompany Transaction

At September 30, 2007 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 6,805 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION - BY FUND TYPE
September 30, 2007

	Revolving Loan Funds	EDA Assistance Grants	General Funds	Total
ASSETS				
CURRENT ASSET				
Cash	\$ 463,090	\$ (3,593)	\$ 677,082	\$ 1,136,579
Investments	425	---	---	425
Accounts receivable	---	---	137,460	137,460
Grants receivable	---	26,500	31,607	58,107
Prepaid expenses	---	---	1,123	1,123
Current portion of long term loans receivable	156,943	---	---	156,943
Total current assets	<u>620,458</u>	<u>22,907</u>	<u>847,272</u>	<u>1,490,637</u>
LONG TERM RECEIVABLE - RLF Loans	1,091,743	---	---	1,091,743
Less current portion	156,943	---	---	156,943
Total long term receivable	<u>934,800</u>	<u>---</u>	<u>---</u>	<u>934,800</u>
PROPERTY AND EQUIPMENT - at cost				
Buildings and equipment	---	38,720	144,340	183,060
Less accumulated depreciation	---	38,720	81,877	120,597
Total property and equipment	<u>---</u>	<u>---</u>	<u>62,463</u>	<u>62,463</u>
Total assets	<u>\$ 1,555,258</u>	<u>\$ 22,907</u>	<u>\$ 909,735</u>	<u>\$ 2,487,900</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of long term debt	\$ ---	\$ ---	\$ 3,845	\$ 3,845
Notes payable	---	---	72,771	72,771
Housing trust	---	---	97,379	97,379
Accounts payable	---	---	4,679	4,679
Accrued expenses	---	---	25,180	25,180
Total current liabilities	<u>---</u>	<u>---</u>	<u>203,854</u>	<u>203,854</u>
LONG TERM LIABILITIES				
Long term debt less current portion	---	---	8,971	8,971
Payable to EDSA	31,228	---	---	31,228
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>8,971</u>	<u>40,199</u>
Total liabilities	<u>31,228</u>	<u>---</u>	<u>212,825</u>	<u>244,053</u>
NET ASSETS				
Unrestricted				
Undesignated general fund	---	22,907	696,910	719,817
Temporarily restricted				
Grant fund balances	<u>1,524,030</u>	<u>---</u>	<u>---</u>	<u>1,524,030</u>
Total net assets	<u>1,524,030</u>	<u>22,907</u>	<u>696,910</u>	<u>2,243,847</u>
Total liabilities and net assets	<u>\$ 1,555,258</u>	<u>\$ 22,907</u>	<u>\$ 909,735</u>	<u>\$ 2,487,900</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
Year Ended September 30, 2007

	Revolving Loan Funds	EDA Assistance Grants	General Funds	Total
REVENUE AND SUPPORT:				
Federal funds	\$ ---	\$ 54,500	\$ 642,227	\$ 696,727
State grant	---	---	9,375	9,375
Other grants	---	---	95,500	95,500
Local funds	---	21,221	111,788	133,009
Local in-kind	---	2,666	---	2,666
Interest income	67,130	---	2,396	69,526
Service income	---	---	321,704	321,704
Miscellaneous	15,146	---	44,798	59,944
Total revenue and support	<u>82,276</u>	<u>78,387</u>	<u>1,227,788</u>	<u>1,388,451</u>
EXPENSES:				
Salary	23,318	44,382	186,763	254,463
Employee fringe	3,906	6,921	28,216	39,043
Health ins	2,058	4,841	10,997	17,896
Housing rehab	---	---	557,102	557,102
Emergency repairs	---	---	132,887	132,887
Accounting/consulting/legal	5,068	215	6,223	11,506
Depreciation	---	---	5,559	5,559
Consumable supplies	1,379	4,042	2,527	7,948
Dues and subscriptions	1,224	1,780	3,208	6,212
Repairs and maintenance	35	356	2,963	3,354
Insurance	1,208	1,529	7,172	9,909
Miscellaneous	7	51	11,198	11,256
Postage	565	1,439	596	2,600
Printing and publicity	942	2,695	5,992	9,629
Utilities	1,022	1,659	6,340	9,021
Telephone	188	1,138	2,098	3,424
Interest	108	160	12,778	13,046
In kind	---	2,666	---	2,666
Travel & meetings	1,978	7,068	3,418	12,464
Total expenses	<u>43,006</u>	<u>80,942</u>	<u>986,037</u>	<u>1,109,985</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	39,270	(2,555)	241,751	278,466
LOSS ON STOCK	(3,062)	---	---	(3,062)
FUND BALANCES - Beginning of year	<u>1,464,915</u>	<u>25,462</u>	<u>478,066</u>	<u>1,968,443</u>
FUND BALANCES - End of year	<u>\$ 1,501,123</u>	<u>\$ 22,907</u>	<u>\$ 719,817</u>	<u>\$ 2,243,847</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
REVOLVING LOAN FUNDS
Year Ended September 30, 2007

	Housing RLF	Farmers Home Administration RLF	Economic Development Administration RLF
REVENUE AND SUPPORT:			
Interest income	\$ 12,568	\$ 7,055	\$ 46,910
Loan origination fees	8,437	---	3,750
Other	194	---	2,765
Total revenue and support	<u>21,199</u>	<u>7,055</u>	<u>53,425</u>
EXPENSES:			
Salary	11,887	2,216	9,215
Employee fringe	2,451	339	1,116
Health insurance	1,286	178	594
Accounting/consulting/legal	2,235	1,107	1,726
Consumable supplies	494	350	535
Dues & subscriptions	259	278	687
Miscellaneous	7	---	---
Insurance	831	89	288
Postage	436	27	102
Printing and publicity	753	36	153
Utilities	639	92	291
Telephone	113	14	61
Interest	68	9	31
Repairs	13	10	12
Travel & meetings	363	31	1,584
Total expenses	<u>21,835</u>	<u>4,776</u>	<u>16,395</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(636)	2,279	37,030
Loss on stock	---	---	(3,062)
FUND BALANCES - Beginning of year	<u>504,400</u>	<u>120,666</u>	<u>847,197</u>
FUND BALANCES - End of year	<u>\$ 503,764</u>	<u>\$ 122,945</u>	<u>\$ 881,165</u>

Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ 597	\$ 67,130
---	12,187
---	2,959
<u>597</u>	<u>82,276</u>
---	23,318
---	3,906
---	2,058
---	5,068
---	1,379
---	1,224
---	7
---	1,208
---	565
---	942
---	1,022
---	188
---	108
---	35
---	<u>1,978</u>
---	<u>43,006</u>
597	39,270
---	(3,062)
<u>(7,348)</u>	<u>1,464,915</u>
<u>\$ (6,751)</u>	<u>\$ 1,501,123</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
EDA ASSISTANCE GRANTS
Year Ended September 30, 2007

	Grant No. 05- 83-04402	Grant No. 05- 83-04263	Total
REVENUE AND SUPPORT:			
Federal funds	\$ 26,500	\$ 28,000	\$ 54,500
Local funds	6,028	15,193	21,221
Local in-kind	<u>1,862</u>	<u>804</u>	<u>2,666</u>
Total revenue and support	<u>34,390</u>	<u>43,997</u>	<u>78,387</u>
EXPENSES:			
Salary	17,848	26,534	44,382
Employee fringe	2,736	4,185	6,921
Health insurance	1,586	3,255	4,841
Accounting/consulting/legal	20	195	215
Interest	68	92	160
Consumable supplies	1,513	2,529	4,042
Dues and subscriptions	380	1,400	1,780
Insurance	389	1,140	1,529
Postage	454	985	1,439
Printing and publicity	415	2,280	2,695
Utilities	587	1,072	1,659
Telephone	630	508	1,138
In kind	1,862	804	2,666
Repairs	79	277	356
Miscellaneous	51	---	51
Travel & meetings	<u>2,940</u>	<u>4,128</u>	<u>7,068</u>
Total expenses	<u>31,558</u>	<u>49,384</u>	<u>80,942</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	2,832	(5,387)	(2,555)
FUND BALANCES - Beginning of year	<u>---</u>	<u>25,462</u>	<u>25,462</u>
FUND BALANCES - End of year	<u>\$ 2,832</u>	<u>\$ 20,075</u>	<u>\$ 22,907</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
STATEMENT OF ACTIVITY
SICOG GENERAL FUNDS
Year Ended September 30, 2007

	Total Administrative Contracts	State Assistance	Unapplied Funds	Total
REVENUE AND SUPPORT:				
Federal grant	\$ ---	\$ ---	\$ 642,227	\$ 642,227
State grant	\$ ---	\$ 9,375	\$ ---	\$ 9,375
Other grant	---	---	95,500	95,500
Local funds	---	---	111,788	111,788
Interest income	---	---	2,396	2,396
Service income	278,698	---	43,006	321,704
Miscellaneous	---	---	44,798	44,798
Total revenue and support	<u>278,698</u>	<u>9,375</u>	<u>939,715</u>	<u>1,227,788</u>
EXPENSES:				
Salary	122,516	4,098	60,149	186,763
Employee fringe	18,510	437	9,269	28,216
Health insurance	7,155	251	3,591	10,997
Housing rehab	---	---	557,102	557,102
Emergency repairs	---	---	132,887	132,887
Accounting/consulting/legal	2,607	63	3,553	6,223
Depreciation	---	---	5,559	5,559
Consumable supplies	1,684	597	246	2,527
Dues and subscriptions	---	2,910	298	3,208
Repairs and maintenance	---	---	2,963	2,963
Insurance	3,572	116	3,484	7,172
Miscellaneous	561	---	10,637	11,198
Postage	395	9	192	596
Printing and publicity	4,422	146	1,424	5,992
Utilities	3,148	124	3,068	6,340
Telephone	903	37	1,158	2,098
Interest	---	12	12,766	12,778
Travel & meetings	2,081	798	539	3,418
Total expenses	<u>167,554</u>	<u>9,598</u>	<u>808,885</u>	<u>986,037</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	111,144	(223)	130,830	241,751
FUND BALANCES - Beginning of year	<u>(142,677)</u>	<u>(5,833)</u>	<u>626,576</u>	<u>478,066</u>
FUND BALANCES - End of year	<u>\$ (31,533)</u>	<u>\$ (6,056)</u>	<u>\$ 757,406</u>	<u>\$ 719,817</u>

See accompanying independent auditor's report

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance			
Title IX Long-Term Economical			
Deterioration Revolving Loan			
Fund Grant	11.307	05-39-02265	\$ 788,775
Support for Planning Organizations	11.302	05-83-03856	<u>54,500</u>
Total U.S. Department of Commerce			<u>843,275</u>
<u>U.S. Department of Housing and Urban Development</u>			
Indirect program:			
Community development Block			
Grants	14.228	None	<u>642,227</u>
Total expenditures of federal awards			<u>\$ 1,485,502</u>

TED WILLETS

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MEMBER OF
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

I have audited the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of and for the year ended September 30, 2007 and have issued my report thereon dated December 18, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States Of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s combined financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in the internal control over financial reporting that I consider to be material weaknesses, as described above.

I noted certain other matters that I reported to management in a separate letter dated December 18, 2007.

This report, is intended solely for the information and use of the Board of Directors, management, and others within the Organization and federal awarding agencies and pas-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ted Willes CPA

Creston, Iowa

December 18, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

Compliance

I have audited the compliance of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2007. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the required laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements.

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal

control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, I do not express such an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that an material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in the internal control over compliance that I consider to be a material weakness as described above.

This report is intended solely for the information and use of the Board of Directors, managers, and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ted Willets CPA
Creston, Iowa
December 18, 2007

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
Schedule of Prior Year Audit Findings
Year Ended September 30, 2007

Prior Year Audit Findings

None.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF FINDINGS
Year Ended September 30, 2007

Summary of the Independent Auditor's Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Southern Iowa Council of Governments and Affiliate
2. There are no reportable conditions relating to the audit of the combined financial statements.
3. No instances of noncompliance material to the combined financial statements of Southern Iowa Council of Governments and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Southern Iowa Council of Governments and Affiliate expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program include:

Name of federal program	CFDA number
Title IX Long-Term Economic Deterioration Revolving Loan Fund Grant	11.307
Community Development Block Grants/ State's Program	14.228

8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did not qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None